DRAFT ANNUAL BUDGET OF

DITSOBOTLA MUNICIPALITY

2015/16 TO 2017/18

MEDIUM TERM REVENUE AND EXPENDITURE FORECAST

ABBREVIATIONS AND ACRONYMS

DME	Department of Mineral and Energy
DORA	Division of Revenue Act
EPWP	Extended Public Work Programme
FMG	Finance Management Grant
NMMDM	Ngaka Modiri Molema District Municipality
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Account Committee
MSIG	Municipal System Improvement Grant
MTREF	Medium Term Revenue and Expenditure Framework
PMU	Project Management Unit
PPE	Property, Plant and Equipment
ISDG	Infrastructure Skill Development Grant

2 BUDGET OVERVIEW: EXECUTIVE SUMMARY

2.1 Introduction

The 2015/2016 Medium Term Revenue and Expenditure Framework and the Multi-Year Budget has been prepared to reflect the three year plan of Ditsobotla Local Municipality. In addition, the directive from National Treasury based on MFMA circulars No 66, 67, 70 74, and 75 were used as the bases for preparation of this budget.

National Treasury has emphasized that the following areas needs to be given attention:

i) Revenue Management – Billing Systems
ii) Collecting Outstanding Debts – Political Commitments
iii) Pricing Service Correctly – Management of Rebates and Subsidies
iv) Under spending on repairs and maintenance
v) Spending on low priorities – Luxury furnishing and excessive catering

The main challenges experienced in the 2015/2016 Budget can be summarized as follows:

- The increased cost of bulk purchases and arrears on Eskom account.
- The need to re-prioritise expenditure within the existing resource envelope given the cash flow realities and declining cash position.
- The state and lack of maintenance for infrastructure.
- Ensuring that drinking water and waste water management meets the required quality standards at all times
- Unavailability of own-funding for capital budget; and
- Inability to raise capital/borrowing.
- Water and Electricity Master Plan

The following budget principles and guidelines directly informed the compilation of the 2015/16
MTREF:

- Tariffs need to remain or move towards being cost reflective and a process of restructuring the tariffs for utility services for instance water and sanitation should be considered, the exercise is very intensive where gathering of information to develop a cost reflective model should be done correctly.

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

In MFMA Circular No. 70 municipalities were strongly advised to take note of the Cabinet resolution of 23 October 2013 by which all national and provincial departments, constitutional institutions and all public entities are required to implement cost containment measures with effect of January 2014. The cost containment measures must be implemented to eliminate waste, reprioritise spending and

ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation. Municipalities were subsequently strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.

Over and above the guidelines from National Treasury, the budget was also influenced by the following:

- The performance of 2014/2015 budget was used as baseline.
- CPI guidelines from National Treasury except were specific sector increases are prescribed.
- Tariff and property rate increases should be affordable and generally not to exceed inflation as measured by the CPI except where adjustment are justified and where price increase is prescribed or determined outside the municipality's powers.

In order to ensure sustainability of vision and financial viability of the municipality in the long term, municipal tariffs have adjusted as follows:

- Water: 5.6%
- Electricity: 12.2%
- Property rates: 5.6%
- Sewerage: 5.6%
- Refuse Collection: 5.6%
- Miscellaneous: 5.6%

The municipality will still ensure that the poor are protected through the indigent support scheme as per the indigent policy and debt collection strategy.

The cash flow position of the municipality is expected to be under pressure for 2015/2016, a conservative approach to spending and utilization of Municipal assets will ensure that this matter is addressed.

2.2 Consolidated Overview

The total budget of the municipality is R413 million which comprises of R 375 Operating Budget and R37 million for total Capital Budget, details for the Multi-year Budget are given in the table below:

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Details	Budget Year 2015/16	Budget Year 2016/17	Budget Year 2017/18
Total Operating Budget	375,745,000	393,780,000	415,832,000
Total Capital Budget	37,392,000	43,703,000	41,669,000
Total	**413,137,000**	**437,483,000**	**457,501,000**

3 BUDGET SUMMARY AND ANALYSIS

3.1 Medium Term Outlook 2015/2016 – 2017/2018

CAPITAL BUDGET

The Capital Budget is directly informed by the needs of the community submitted through the IDP process. The Capital Budget is mainly funded through Grant Funding in terms of DORA.

OPERATING BUDGET

For Ditsobotla to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.**

The Operating Budget which deals with the day to day operation of the municipality to ensure service delivery to the communities has conservatively increased for the MTEF. The growth could be attributed to mainly the following:

- Cost of bulk purchases
- Service Delivery back log
- Cost of repair and maintenance
- Employee related cost

3.2 Budget Analysis

3.2.1 Operating Revenue per Source

NW384 Ditsobotla - Table A4 Budgeted Financial Performance (revenue and expenditure)

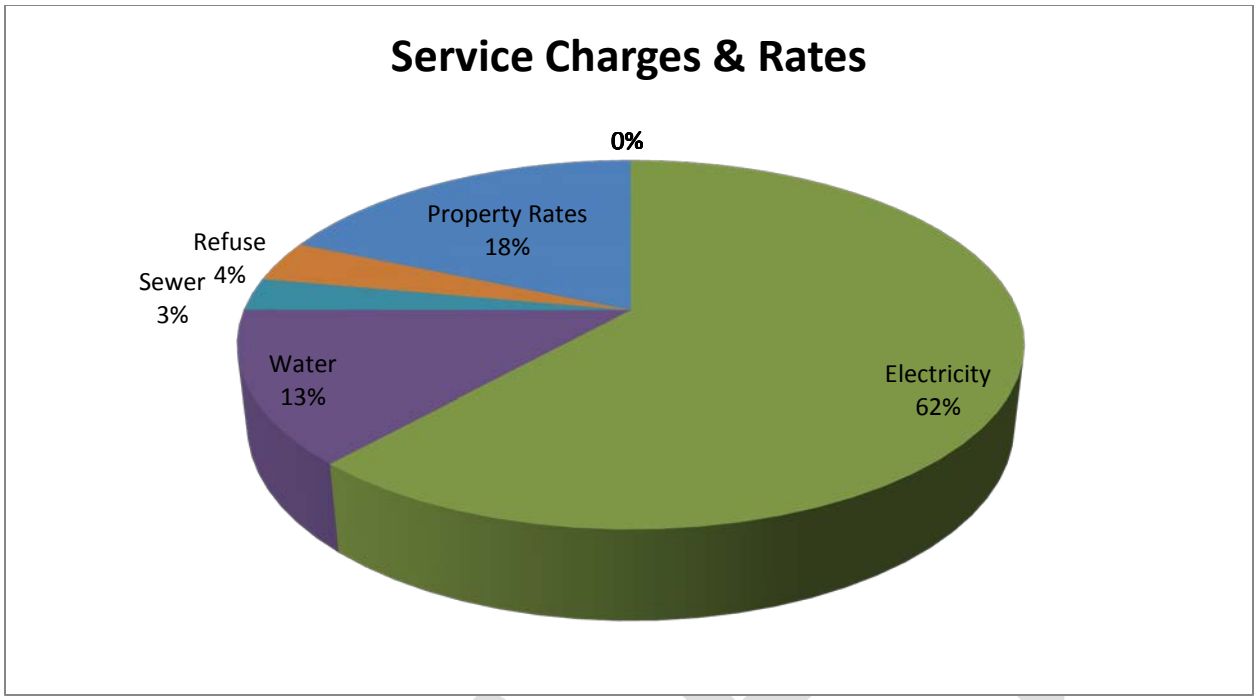
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	47 667	131 661	37 115	43 401	43 401	45 745	45 745	48 306	50 625	53 460
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	195 461	115 623	96 928	132 103	132 103	143 486	143 486	160 991	168 719	178 167
Service charges - water revenue	2	59 193	75 045	33 087	32 385	32 385	33 020	33 020	34 869	36 543	38 589
Service charges - sanitation revenue	2	13 249	18 478	7 608	7 909	7 909	7 036	7 036	7 430	7 787	8 223
Service charges - refuse revenue	2	18 545	8 523	10 889	10 742	10 742	8 892	8 892	9 390	9 841	10 392
Service charges - other		893	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		1 319	673	2 477	1 629	1 629	2 928	2 928	3 092	3 240	3 422
Interest earned - external investments		–	514	482	656	656	507	507	1 100	1 153	1 217
Interest earned - outstanding debtors		18 275	2 035		10 000	3 000	4 454	4 453	6 336	6 640	7 012
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		6 452	364	–	563	312	308	308	325	341	360
Licences and permits		3 269	609	1 670	3 000	3 000	2 388	2 388	2 522	2 643	2 791
Agency services		–	739	4 235	3 500	3 500	4 338	4 338	4 581	4 801	5 070
Transfers recognised - operational		140 338	123 438	93 730	94 707	94 707	94 707	94 707	95 419	99 999	105 599
Other revenue	2	2 999	598	6 834	4 644	2 644	1 310	1 310	1 383	1 450	1 531
Gains on disposal of PPE		–	18	367	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		507 661	478 318	295 421	345 239	335 988	349 118	349 118	375 745	393 780	415 832
Expenditure By Type											
Employee related costs	2	183 028	120 590	138 409	145 253	145 253	120 164	120 164	145 253	152 225	160 750
Remuneration of councillors		20 183	9 827	5 040	12 910	12 910	9 034	9 034	12 910	13 530	14 287
Debt impairment	3	40 716	133 670	–	17 273	17 273	–	–	28 883	30 269	31 964
Depreciation & asset impairment	2	–	8 871	32 531	10 000	3 000	4 454	4 454	32 531	32 531	32 531
Finance charges		285	6 130	3 396	–	782	782	782	1 100	1 153	1 217
Bulk purchases	2	133 294	94 155	107 139	99 000	99 000	21 449	21 449	122 810	128 705	135 912
Other materials	8	20 544	6 463	10 494	14 759	14 759	4 152	4 152	18 787	19 689	20 791
Contracted services		–	–	12 940	12 354	12 354	12 354	12 354	16 200	16 978	17 928
Transfers and grants		7 416	6 447	10 494	–	–	–	–	11 082	11 614	12 264
Other expenditure	4, 5	64 253	13 022	46 952	33 690	23 657	21 384	21 384	22 582	23 665	24 991
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		469 719	399 175	367 396	345 239	328 988	193 773	193 773	412 138	430 359	452 637
Surplus/(Deficit)		37 941	79 144	(71 975)	0	7 000	155 345	155 345	(36 393)	(36 578)	(36 805)
Transfers recognised - capital		23 159	31 597	32 529	34 772	34 772	34 772	34 772	37 392	43 703	41 669
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets									–		
Surplus/(Deficit) after capital transfers & contributions		61 100	110 741	(39 446)	34 772	41 772	190 117	190 117	999	7 125	4 864
Taxation											
Surplus/(Deficit) after taxation		61 100	110 741	(39 446)	34 772	41 772	190 117	190 117	999	7 125	4 864
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		61 100	110 741	(39 446)	34 772	41 772	190 117	190 117	999	7 125	4 864
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		61 100	110 741	(39 446)	34 772	41 772	190 117	190 117	999	7 125	4 864

- In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.
- Revenue generated from **rates and services charges** forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise 70 per cent of the total revenue mix. Followed by **operational grants** and other **secondary revenue** at 25 per cent and 5 per cent respectively.

The table below shows the % growth in terms of revenue per source

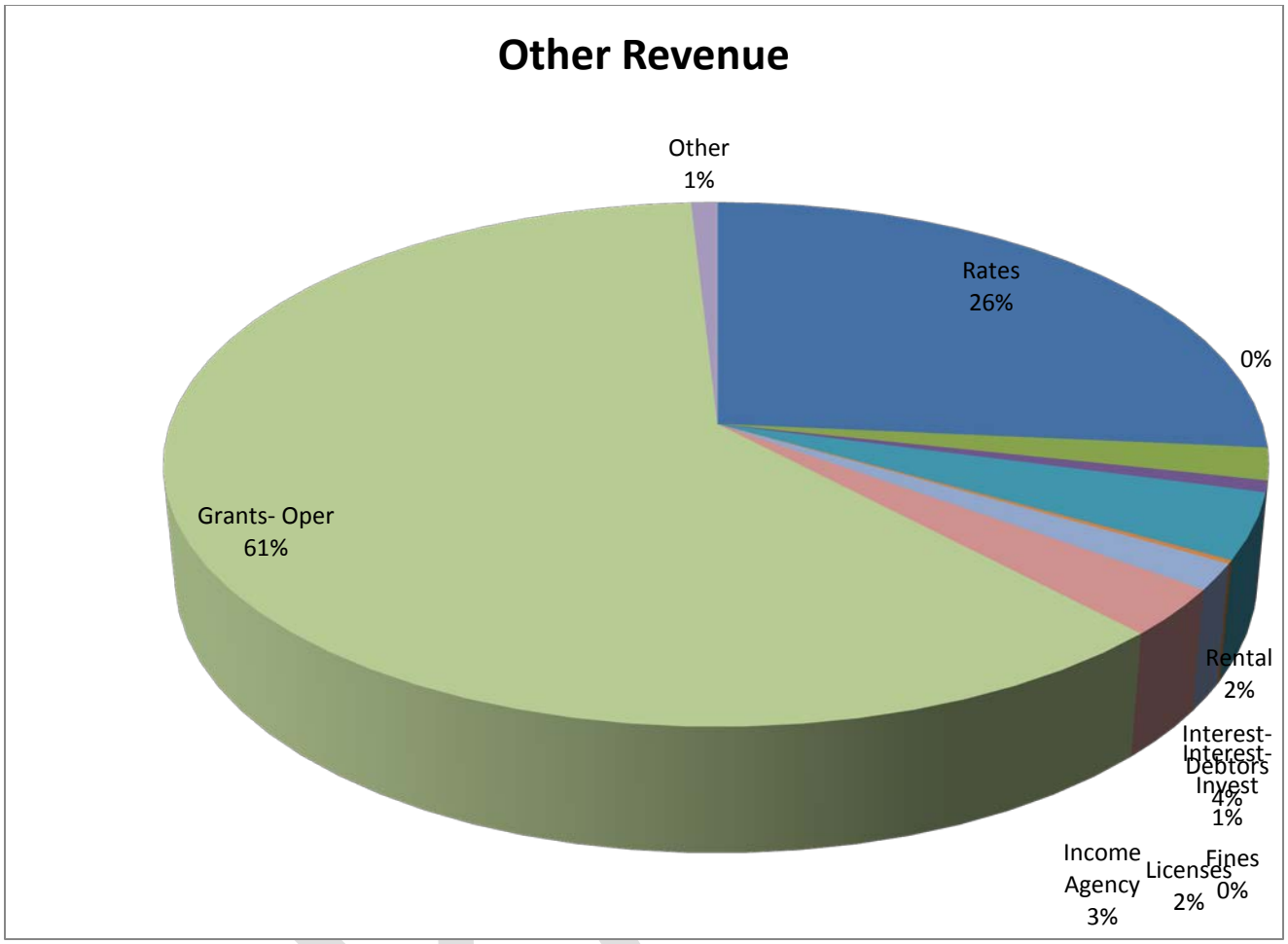
Percentage Growth in Revenue by Main Source

Description	Current Year 2014/15			Medium Term Revenue					
R thousand	Original Budget	Adjusted Budget	Projected Actual	Budget Year 2015/16	% increase	Budget Year +1 2016/17	% increase	Budget Year +2 2017/18	% increase
Revenue By Source									
Property rates	43 401	43 401	45 745	48 306	5.6%	50 625	4.8%	53 460	5.6%
Property rates - penalties & collection charges	–	–	–	–	–	–	–	–	
Service charges - electricity revenue	132 103	132 103	143 486	160 991	12.2%	168 719	4.8%	178 167	5.6%
Service charges - water revenue	32 385	32 385	33 020	34 869	5.6%	36 543	4.8%	38 589	5.6%
Service charges - sanitation revenue	7 909	7 909	7 036	7 430	5.6%	7 787	4.8%	8 223	5.6%
Service charges - refuse revenue	10 742	10 742	8 892	9 390	5.6%	9 841	4.8%	10 392	5.6%
Service charges - other	–	–	–	–	–	–	–	–	
Rental of facilities and equipment	1 629	1 629	2 928	3 092	5.6%	3 240	4.8%	3 422	5.6%
Interest earned - external investments	656	656	1 000	1 100	5.6%	1 153	4.8%	1 217	5.6%
Interest earned - outstanding debtors	10 000	3 000	6 000	6 336	5.6%	6 640	4.8%	7 012	5.6%
Dividends received	–	–	–	–	–	–	–	–	
Fines	563	312	308	325	5.6%	341	4.8%	360	5.6%
Licences and permits	3 000	3 000	2 388	2 522	5.6%	2 643	4.8%	2 791	5.6%
Agency services	3 500	3 500	4 338	4 581	5.6%	4 801	4.8%	5 070	5.6%
Transfers recognised - operational	94 707	94 707		95 419	5.6%	99 999	4.8%	105 599	5.6%
Other revenue	4 644	2 644	1 310	1 383	5.6%	1 450	4.8%	1 531	5.6%
Gains on disposal of PPE	–	–	–	–	–	–	–	–	
Total Revenue (excluding capital transfers and contributions)	345 239	335 988	256 451	375 745		393 780		415 832	



DoRA OPEX

Description	2014/15 Budgeted (R)	Actual to date (R)	2015/16 Budgeted (R)	2016/17 Indicative (R)	2017/18 Indicative (R)
Equitable share	88,496,000	64,528,000	88,789,000	88,817,000	88,273,000
FMG	1,600,000	1,600,000	1,675,000	1,810,000	2,145,000
MSIG	930,000	930,000	930,000	957,000	1,033,000
MIG	34,214,000	5,610,000	35,392,000	36,703,000	38,669,000
EPWP	1,181,000	827,000	1,025,000	-	-
INFRAS SKILLS DEVELOP GRANT	2,500,000	1,500,000	3,000,000	3,000,000	3,000,000
INEP	558,000	558,000	2,000,000	7,000,000	3,000,000
Total	**129,479,000**	**75,553,000**	**132,811,000**	**138,287,000**	**136,120,000**



3.2.1.1 Property Rates

The property rates show estimated revenue of R 48 million. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. MFMA Budget Circular 72 encourages municipalities "to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor household, other customers and ensuring the financial sustainability of the municipality".

In terms of Section 15(1)(b) of the Local Government: Municipal Property Rates Act, No 6 of 2004, read with Council's Property Rates Policy, the following reduction in market value and rebates should be granted on the rate levied for the Financial Year 2012/2013 to any owner of rateable property in the following circumstances:

- In terms of Section 17(h) of the Local Government: Municipal Property Rates Act, No6 of 2004, the impermissible value of the market value of a property assigned to the residential category in the valuation roll or supplementary valuation roll, be determined as R 60 000.

- Indigent households – Owner of residential property, registered in terms of Council's approved Indigent Policy, be subsidized in accordance with the Indigent Policy and will not form part of a rebate in terms of the MPRA.

- Child-headed households – That a child-headed household registered in terms of Council's approved Indigent Policy, be subsidized in accordance with the Indigent Policy and will not form part of a rebate in terms of the MPRA.

- Aged/Pensioners reduction, Disability grantees and Medically Boarded persons – that in addition to the reduction in terms of Section 17(h) of the Local Government: Municipal Property Rates Act, No 6 of 2004, subject to the requirements as set out in the Council's Property Rates Policy, an additional rebate be granted in respect of sliding scale based on average monthly earnings.

3.2.1.2 Service Charges

Service charges include electricity, refuse, sewer and water. The R 212.6 million is made up of the following, water R34.8 million, Refuse R 9.3 million, Sewerage R 7.4 million and electricity R 160.9 million. **It must be further noted that R32 198 million is an anticipated revenue on prepaid electricity and R128 793 million on conversional respectively.** As per **circular 75**, on the 29 January 2015, NERSA approved and published guidelines on municipal electricity prices increase for the 2015/16 financial year. A guideline increase of 12.20 per cent has been approved based on the fact that Bulk purchases have increased by 14.24 per cent in line with Eskom's electricity tariff increase to municipalities.

3.2.1.3 Interest on Debtors

Interest on debtors is guided by CPI and inflation rate as contained in Circular 74. However it must be noted that the interest on outstanding debtors has been performing poorly. This is as a result of growing debt book of the municipality and there is no arrear collection done. Therefore the budget was reduced compared to 2014/15.

3.2.1.4 Agency Fees

The function is done on behalf of Department of roads and transport and estimates for this revenue stream is R4.5 million.

3.2.1.5 Grants and Subsidies

Operating

Section 216 of the Constitution provides for national government to transfer resources to municipalities in terms of the annual Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions.

The grants subsidies operational refers to the Equitable shares, Finance Management Grant, Municipal Systems Improvement Grant, Extended Public Works Programme Grant and the ISDG.

The revenue R95.4 million and is based on the Division of Revenue Act allocation. This revenue stream contributes 25% of the total operating revenue.

Capital

This relates to conditional grants and has increased from R 34.7 million to R 37.9 million. This includes the INEP grant amounting to R2million and R35, 3million of MIG.

DoRA Allocation

Details	2014/2015	Indicative 2015-16	Indicative 2016-2017	Indicative 2017-2018
Municipal Infrastructure Grant	34,222,000	35,392,000	36,703,000	38,669,000
DoE	550,000	2,000,000	7,000,000	3,000,000
Total Allocation	**34,772,000**	**37,392,000**	**43,703,000**	**41,669,000**

3.2.1.6 Other Revenue

Other revenue streams contribute 5% on operating revenue.

3.2.2 Operating Expenditure

3.2.2.1. Employee Related Cost

The budgeted allocation for employee related costs for the 2015/16 financial year totals R145, 2million, which equals 38 per cent of the total operating expenditure but this **excludes** the remuneration of councillors. The employee related budget did not change from 2014/15 financial year because of the following:

- The budget is under serious constrains and that impacts negatively towards the cash flow position of the municipality, therefore no new positions will be accommodated in the budget.
- For the first six months Council is advised not to fill vacant positions only critical ones.
- The standard norm of best practice in terms of employee related cost versus the total operating cost is 35 per cent and the municipality is already at 38 per cent **excluding** remuneration of councillors. Furthermore **circular 71** incorporates the remuneration of councillors in terms of determination of percentage towards opex, therefore the percentage increases to 41 per cent.
- The actual performance as per sec71 reports and the audited figure on salaries as per AFS was taken into consideration.

Circular 75 encourages municipalities to increase its budget by 4.4 per cent since negotiations are still underway. Salary and Wage Collective Agreement for the period 01 July 2012 to June 2015 has come to an end hence the guideline.

Overtime of the municipality is one area that needs urgent attention. The overtime paid is very high. As a guideline, municipalities are advised that a percentage above 5 per cent would require further investigation; it needs to be noted that this percentage is based on total

municipal remuneration and individual functions will differ owing to the nature of the service rendered. Councils overtime represent 8 per cent of its total salary budget and needs to be seriously looked at and reduced.

3.2.2.2. Remuneration of Councillors

The remuneration of councillors is not increase because the actual performance as indicated in table A4 (*Statement of Financial Performance*) will be in line with the projected figure of R12.9million including the upper limits of Public Office Bearers.

3.2.2.3. General Expenditure

General expenditure increased with an average of 5.6%.This expenditure category is influenced by general inflation, diesel and petrol increases.

3.2.2.4. Bulk Purchases

The bulk purchases for water and electricity for the 2015/2016 financial year increased from R99 million to R122, 8 million which is 29 per cent of the total operating expenditure. The expenditure category is influenced by Eskom increases and CPIX which is 12.20 per cent and 5.6 per cent on water. It must be noted that Sedibeng Water Services is billing the municipality and taking over from Botshelo Water.

3.2.2.5. Repairs and Maintenance

Repairs and maintenance of various infrastructures has been increased with an average of 5 per cent. Caution should be noted most assets of the municipality are old and they require regular repairs and maintenance for the effective service delivery to the community. The municipality also does not have the maintenance plan in place.

3.2.2.6. Contracted Services

Contracted Services has been increased with an average of 5.6%. This expenditure category is influenced by various contractual obligations with Service Providers.

3.2.2.7. Debt impairment

Debt impairment increased from R17,2 million to R28, 8million.The debt impairment calculation is supposed to be based on the collection rate of property rates and service charges. The collection rate of the municipality is at 70% therefore only R28, 8million impairment could be provided for. It must be noted that this is a non-cash item.

3.2.2.8. Depreciation & Asset Impairment

The municipality has budgeted R32, 5 million for asset impairment & depreciation to be able to address its aging infrastructure**.**

4. Project List Details

ITEM	PROJECT DESCRIPTION	ESTIMATED PROJECTS COST	PROJECTS COMMITED 15/16	DIFFERENCE	15/16	16/17	17/18
1	CONSTRUCTION OF ROADS AND STORMWATER IN BODIBE	R 14 400 000.00	R 4 192 359.00	R 10 207 641.00	R 4 192 359.00	R 10 207 641.00	
2	CONSTRUCTION OF ROADS AND STORMWATER IN BAKERVILLE			R 0.00			
3	CONSTRUCTION OF ROADS AND STORMWATER IN TLHABOLOGANG		R 10 500 000.00		R 10 500 000.00		
4	CONSTRUCTION OF ACCESS ROADS IN ITSOSENG	R 5 709 052.64	R 3 687 346.73	R 2 021 705.91	R 5 709 052.64	R 8 000 000.00	
5	CONSTRUCTION & UPGRADE OF ROADS AND STORMWATER IN BOIKHUTSO	R 20 392 168.14	R 13 557 000.00	R 6 835 168.14	R 20 392 168.14		
6	CONSTRUCTION OF ACCESS ROADS IN ITEKENG					R 6 000 000.00	
7	CONSTRUCTION OF SPORTS FACILITY IN TLHABOLOGANG						R 5 000 000.00
8	CONSTRUCTION OF ROADS AND STORMWATER IN GA-MALOKA					R 6 650 000.00	R 4 000 000.00
9	REFURBISHMENT OF INTERNAL ROADS IN LICHTENBURG						
10	CONSTRUCTION OF ROADS AND STORMWATER IN BLYDEVILLE EXTENSIONS						R 8 000 000.00
11	CONSTRUCTION OF ROADS AND STORMWATER IN SPRINGBOKPAN						R 4 122 280.00
	TOTAL		**R 31 936 705.73**	**R 19 064 515.05**	**R 40 793 579.78**	**R 30 857 641.00**	**R 21 122 280.00**
	ALLOCATIONS				**R 35 392 000.00**	**R 36 703 000.00**	**R 38 669 000.00**

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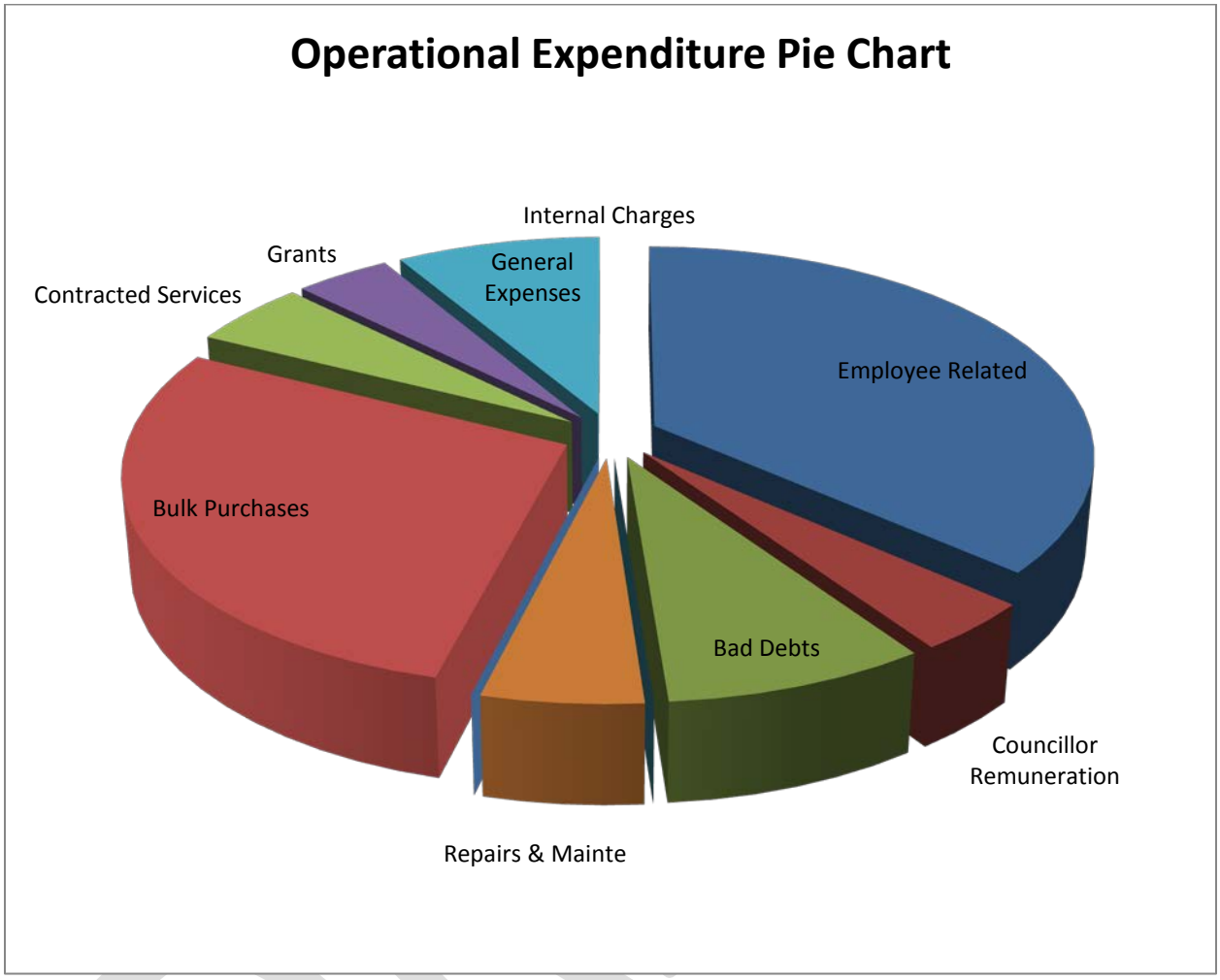

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5. BUDGET PROCESS

5.1 Overview

The budget process is an effective process that the municipality must undertake to ensure good governance and to promote accountability. Budgeting is primarily about priorities and choices that the municipality has to make in deciding how to meet the objectives set for service delivery. The budget preparation process is guided by the following legislative requirements:

- Municipal Budget and Reporting Regulation
- Municipal Finance Management Act
- Municipal System Act
- Municipal Structures Act

The process started with the approval of the IDP and Budget timetable in December 2014 which included the process plan for the formulation of the new IDP.

Communities will be consulted wherein a ward based plan will be developed to deal with infrastructure requirement of the municipality.

5.2 Political Oversight

Section 53(1)(a) states that the Executive Mayor must provide political guidance over the budget process and the priorities that must guide the preparation of the budget.

It is also entrusted to the Executive Mayor to ensure that the budget is approved on time and that the Service Delivery and Budget Implementation plans are developed and approved.

5.3 Consultation Process

Section 22 of the Municipal Finance Management Act requires that after tabling the Draft Annual Budget, the municipality must avail the budget to public and also invite local community to submit comments on the approved budget.

Consultative meetings will be held during April 2013 wherein the budget will be presented to the communities.

5.4 Schedule of Key Deadlines

One of the objectives of the budget timetable is to ensure that there is interaction between the development of the IDP and budget. The budget time table is supposed be approved by Council on the 31st of August of each year, thus 10 months before the start of the financial year.

6. BUDGET ASSUMPTION

6.1 Key Financial Indicators

Budget assumption / parameters are determined before the budget process, guided by the economic outlook, movement in terms of markets and the National Treasury guidelines. All steps have been taken to be in line with National Treasury Guidelines, however the following factor affect the municipal operation and the budget should be accordingly:

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- Anticipated high fuel price
- High Salaries
- Increase by Eskom

Key budget parameters used in developing the operation budget.

Description	2015/16	2016/17	2017/18
Inflation	5.6%	4.8%	5.6%
Remuneration:			
Employees	-	-	-
Councilors	-	-	-
Fuel / Diesel	5.6%	4.8%	5.6%
Water Purchases	5.6%	4.8%	5.6%
Electricity Purchases	14.24%	4.8%	5.6%
General Expenditure	5.6%	4.8%	5.6%

6.2 Credit Rating

The Municipality has not undergone a credit rating.

6.3 Borrowing and Investments

The MFMA permits the borrowing for long-term if it is for the acquisition of capital goods such as plant, equipment and infrastructure. Currently the municipality is not considering any long term borrowing.

Currently the municipality has no investments and only call accounts are utilized upon receipts of grants.

6.4 Rates, Tariffs, Charges and Timing of Revenue Collection

Accounts for rates, refuse, electricity, water and sanitation are issued on a monthly basis and are due and payable before the 15th of the month. Recovery procedures for non-payment may be commenced within 15 days of payment default. The electricity supply is cut and water supply is restricted when a client defaults. The municipality is committed in ensuring that collection levels are improved and that credit control will be enforced those who can afford and not honoring their municipal accounts.

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6.7. Changing Demand Characteristics

The demand for services is increasing yearly as the municipality is expected to deliver services to the poor of the poorest and pressure to reduce poverty.

7. OVERVIEW OF BUDGET RELATED POLICIES AND AMENDMENTS

The municipality's budgeting process is guided and governed by the relevant legislation and related policies.

The purpose of the budget related policies is to govern and guide the budget process and inform the projections of the medium term.

Listed below with a brief description are the municipality's budget related policies. These policies are available from the municipality on request.

The accounting policy is reviewed on an ongoing basis to incorporate changes required by the relevant Accounting Standards, apart from the changes to these policies as part of the budget process.

Budget related policies are attached.

7.1 Virement Policy

The Virement policy establishes the framework for managers to manage their respective budgets within limitations, and also to ensure good budgeting practice and effective financial management. The Virement policy has been amended to improve budgetary controls.

7.2 Accounting policy

The accounting policy guides the preparation of the Annual Financial Statements and is reviewed each year during the preparation to ensure compliance with Generally Recognized Accounting standards and other guiding principles such as International Financial Reporting.

7.3 Supply Chain Management Policy

The supply chain management policy was adopted and amendments are as result of council resolution.

7.4 Credit control and Debt collection policy

The council adopted a policy a few amendments have been made to give clear indication in terms indigents, s 118 on the issuing of rates clearance and the outstanding debt.

7.5 Tariff policy

The tariff policy covers levying of tariffs, fees and charges for municipal services. The tariff policy details electricity, water, sewer, refuse removal and miscellaneous tariffs.

7.6 Fixed Asset Management Policy

The asset policy is designed to ensure management of Municipal assets in efficient and effective manner with regard to acquisition, utilization, control maintenance and disposal of assets. The policy guides Directorates in their responsibility and duties for control of their assets.

8 DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION

8.1 Budget

The amount budget has been developed in terms of the MFMA Circular and Reporting Regulation and National Treasury Requirements. Budget has been tabled within the required legislative timeframes. It has also compiled in line with budget related policies, thus Virement Policy, Accounting policy, Supply Chain Management Policy, Credit control and Debt collection policy, Revenue policy on tariff setting modeling, Fixed Asset Management Policy.

8.2 Budget and Treasury Office

A budget and treasury office has been established.

8.3 Audit Committee

The Audit Committee has not yet been established and shared - services is used.

8.4 Municipal Public Accounts Committee

The committee has been established and is supported by various sub-committees.

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9. ANNUAL BUDGET SCHEDULE

The Budget schedules are attached.

11. SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The SDBIP is a key management implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP.

Recommendations

That the submitted 2015/2016 IDP & Budget be tabled as follows:

1. That the total draft budget of R413 137 000 be considered of which R375 745 000 is operations and R37 392 000 is capital.
2. The Operating revenue by vote and source as reflected in the submitted schedules be considered .
3. The Operating expenditure by vote and standard item as reflected in the budget schedules.
4. The Capital Expenditure by vote and associated category and funding reflected in the budget schedules.
5. That the two projected outer indicative budget for 2016/2017 and 2017/2018 also be approved.
6. That the multi-year capital budget appropriation by vote and associated funding reflected in the submitted schedule be approved.
7. That the attached draft tariffs be considered.

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QUALITY CERTIFICATION

I…… (Print Name), Acting Municipal Manager of Ditsobotla local Municipality, hereby certify that the Draft budget have been prepared accordance with the Municipal Finance Management Act and the regulations made under the Act.

Signature …… Date ……..

I…… (Print Name), Chief Finance Officer of Ditsobotla local Municipality, hereby certify that the Draft budget have been prepared accordance with the Municipal Finance Management Act and the regulations made under the Act.

Signature …… Date ……..

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